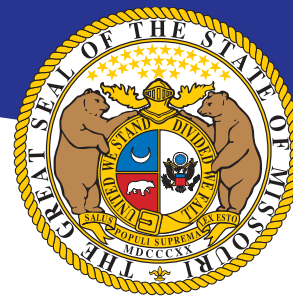


# D I F P



## Gov. Blunt creates new department to consolidate regulatory duties

On Aug. 28, 2006, the Department of Insurance became the Department of Insurance, Financial Institutions and Professional Registration (DIFP). This new department stems from the transfer of the Divisions of Finance, Credit Unions and Professional Registration from the Department of Economic Development to the Department of Insurance. DIFP is charged with the primary function of regulating industries and individuals.



**Matt Blunt**  
Governor



**W. Dale Finke**  
Director

“This move makes sense because not only does it allow for a more coherent and comprehensive approach to regulating professionals and financial services, products and transactions, but it also allows our economic development experts to focus their efforts to secure Missouri’s place as a leader in our national and global economies which will enhance our job growth efforts,” Gov. Blunt said. “The financial products markets are evolving and to regulate these industries effectively and efficiently we must also evolve.”

On Feb. 1, after Gov. Blunt signed Executive Order 06-04 creating the new department, Director Dale Finke started coordinating the consolidation into DIFP. One of his first steps was separating the department into seven divisions: the Consumer Affairs Division, Insurance Solvency and Company Regulation Division, Insurance Market Regulation Division, Resource Administration Division, Division of Finance, Division of Credit Unions and Division of Professional Registration.

“Before reorganizing, we all worked to license qualified professionals, to ensure financial solvency of commercial institutions and to protect consumers through proper regulation and education,” Director Finke said. “DIFP allows for better coordination of government.”

The department has already seen two specific examples of this coordination. First, it has enabled the department to better tackle the serious problems in title insurance. This type of insurance is tightly interwoven with the banking and real estate industries. Consumer protections are needed and the new department structure offers opportunities for developing common-sense regulatory reforms. Second, it has allowed the department to organize mortgage fraud investigations. This problem involves lenders, realtors, appraisers and title insurers and each of these professionals is regulated by the new department making enforcement efforts more comprehensive and easier to identify.

## Gov. Blunt calls on department to assist with storm recovery efforts

Severe weather swept through the state of Missouri during the spring of 2006 causing nearly \$400 million in personal property damage. Gov. Matt Blunt directed representatives from the Consumer Affairs Division of the department to visit areas of the state hit hard by severe weather. Residents in the communities of Nixa, Monroe City and Madison met with department representatives to learn more about their insurance policies and to ensure that their insurance companies were following proper claim procedures.

“Missourians impacted by these storms had several questions about their insurance policies,” Director Finke said. “I’m pleased that the knowledge and expertise of this department’s staff was used to help fellow Missourians in need.”

## Director orders crackdown on disqualified bail bond agents

Director Dale Finke announced a crackdown on bail bond agents with felony convictions who have obtained licenses from the department during the past several years.

“The Missouri Supreme Court rules make it clear that convicted felons are not qualified for surety on bail bonds,” Director Finke said. “I have ordered a review of every bail bond agent license in Missouri and our preliminary findings are that a number of felons currently hold licenses granted during the last five years. I have ordered immediate changes to the license renewal process, and we are taking legal action to remove disqualified agents from our licensing rolls.”

Since 2005, the department has denied bail bond agent licenses to eight convicted felons - more than during the previous four years combined. Unfortunately, convicted felons had been licensed as bail bond agents in prior years.

Beginning in Jan. 2006, all bail bond agents are required to submit a fingerprint-based background check to the Missouri Highway Patrol. These fingerprints are then run through an FBI database upon application

and upon renewal every two years to ensure an agent’s criminal record does not contain any felony convictions.

## New health insurance options for small employers

In July 2005, the department granted tentative approval to a major insurer to make health care coverage more available for members of the Southwest Area Manufacturers Association (SAMA). This approval allowed almost 2,000 employees in southwest Missouri, who may not have previously had available health insurance, to be covered.

During the 2006 legislative session, Rep. Jay Wasson, R-Nixa, sponsored and the General Assembly passed legislation that allows similar associations the same opportunities granted to SAMA. Traditionally, health insurance for small employers has been difficult to obtain. Small employers, considered to have 25 or fewer employees, are generally charged higher rates for health insurance because their risk is spread over fewer employees than larger employers.

“The passage of House Bill 1827 is a win for small employers across the state,” Director Finke said. “I commend Representative Wasson and the Missouri Legislature for realizing the importance of health insurance for hard-working Missouri families.”

This legislation will allow associations similar to SAMA to provide health insurance coverage to their employees and will promote the growth of small business in the state of Missouri.

## Department gets new tools to monitor medical malpractice trends

The department received better tools to monitor the stability of the medical malpractice insurance market in Missouri with the passage House Bill 1837 sponsored by Rep. Brian Yates, R-Lee’s Summit. It increases data reporting to the department, an area that has been lacking for several years.

Under the new law, insurers are required to file rates with the department prior to using the rates. Those

rates will be examined by department personnel based upon Missouri loss experience only. The bill will also prevent any medical malpractice insurers from increasing rates by more than 15 percent without giving at least 60 days notice to their customers. Insurers will no longer be able to refuse to renew a policy without giving at least 60 days notice or cease the issuance of a policy without giving at least 180 days notice.

“The Missouri Legislature has proven their commitment to reform the medical malpractice industry here in Missouri,” Director Finke said. “This bill will give the department the tools it needs to promote fair competition in this line of insurance.”

The bill also gives the department a measure of oversight for self-insureds and surplus lines insurers by requiring claims, exposure and premium data be reported to the department as other medical malpractice insurers are required to do. This will provide a more complete picture of the medical malpractice industry in the state of Missouri because self-insureds and surplus lines insurers represent over 20 percent of the medical malpractice insurance industry in this state.

## **Licensing improvements save the department, insurance producers time and money**

Improvements to the department’s licensing system continue to make renewing and applying for insurance producer licenses easier while improving the efficiency of the department. The department currently accepts both resident and non-resident applications and renewals online.

“This process benefits all insurance producers who conduct business in this state,” said Director Finke. “This system eases regulatory burden and decreases the time it takes for producers to submit applications and receive approved licenses from the department.”

With all of these electronic means in place, nearly 103,000 producers will be able to maintain licensure with the department without filling out or mailing paperwork to the department. Missouri will make additional improvements as it becomes the first state to accept electronic address changes.

“Not only does this help producers, but it helps all Missouri consumers,” Finke said. “The department will be able to re-allocate funds saved from these innovations to other areas of need without increasing the department’s budget.”

This online process is administered through an effort with the National Insurance Producer Registry (NIPR), a non-profit affiliate of the National Association of Insurance Commissioners (NAIC). It allows insurance producers to logon to the NIPR Web site and complete one electronic application for all states in which they wish to apply for licensure.

## **Missouri encourages proper flood insurance education for producers**

Missourians have seen the disturbing effects of flooding on this state before, but not all understand the extent to which their property is at risk.

In order to educate Missourians about protection from this risk, producers selling flood insurance through the National Flood Insurance Program (NFIP) need proper training and education.

In Nov., the department issued a bulletin regarding training requirements for insurance producers who sell flood insurance policies. This effort relates to Section 207 of the Flood Insurance Reform Act of 2004, which requires all producers, with a property line of authority, selling flood insurance policies under NFIP to be properly trained and educated about the program to ensure their clients receive the best service possible.

“Missourians have seen the impact of flooding on this state before,” Director Finke said. “It is important that we insure this risk with the help of competent and educated professionals.”

As the bulletin sets forth, the Federal Emergency Management Agency and state-approved continuing education providers are developing courses related to NFIP to better educate and train insurance producers.

In addition, the bulletin states that an insurance producer who sells flood insurance may satisfy the minimum training and education requirements by completing a

course related to NFIP, which may be approved for three hours of continuing education credit. The failure to comply with this continuing education requirement may jeopardize the producer's authority to write insurance through NFIP.

"This new education requirement is a step in the right direction," Finke said. "It allows Missouri to support FEMA in establishing minimum training and education requirements while ensuring Missouri consumers get the best possible service and coverage."

### **Title insurance investigations demonstrate the need for reform to protect consumers**

Several department investigators, attorneys and market conduct examiners took part in a three-day investigation into several St. Louis area title insurance agencies. The findings of this investigation prompted the Consumer Affairs Division of the department to request that cease and desist orders be issued to several of the agencies visited.

"We performed these investigations in an effort to review how the title industry in the St. Louis area is marketing, underwriting and rating insurance coverage," Director Finke said. "Unfortunately, our findings are discouraging, and we must take action to ensure Missouri consumers are treated fairly and honestly."

The Consumer Affairs Division of the department initiated administrative enforcement actions against 16 title insurance agencies by submitting statements of charges to Director Finke. The division alleged that all 16 were using and collecting premiums at rates that had not been filed with or approved by the director, and all were misrepresenting, concealing or suppressing information from consumers regarding the actual cost of a title insurance policy and the charges or fees for services related to the examination of title records. Over half of the agencies were charging varying title insurance premiums that were unfairly discriminatory.

Other alleged violations include the use of kickbacks, the use of all-inclusive title fees that didn't represent the actual cost of title insurance, and the failure to prominently display premium schedules.

"These problems demonstrate yet another need for reform in Missouri's title insurance industry," Finke said. "Our hope is that in January the General Assembly will also pass a bill to address the lack of oversight over escrow funds."

The department will propose legislation in the 2007 legislative session to address this lack of oversight and impose reasonable controls over the agencies that write policies on their behalf.

### **Department's directive results in refunds for Missouri businesses**

More than 21,000 workers' compensation policyholders received nearly \$2.5 million in refunds because of a department directive.

In 2005, National Council on Compensation Insurance (NCCI) identified an error in their rate-making system. The system omitted historical payroll information in roughly 90 classification codes for the years 2003, 2004 and 2005. This missing payroll data resulted in the advisory loss costs being overstated and caused some policyholders to pay higher premiums as a result.

The department directed NCCI to recalculate the advisory loss costs for the affected years. Missouri was one of no less than 12 states to request this recalculation. At the same time, the department directed insurers to identify policyholders in the classification codes affected by this error and to refund any overcharged amounts above \$10. The policy identification process began in May 2006 and continued through the end of the year. To date, the department estimates that of the roughly 51,000 policies reviewed, about 21,000 were affected by the error. The average return for policies in Missouri was approximately \$121, and the largest single amount returned to one Missouri business was \$107,259.

"Missourians have created nearly 80,000 jobs over the last two years, but when employers are forced to pay more than their fair share for an insurance product we run the risk of stifling economic growth," Gov. Blunt said. "I commend the department's staff for answering my call to identify and correct any error where Missouri's businesses have been overcharged. These



refunds will help ensure that Missouri businesses continue to pay only their fair share.”

“The NCCI thought the error would have little impact on Missouri policyholders, but the department was persistent in its investigation which resulted in refunds for Missouri businesses,” Director Finke said. “I appreciate both the department and industry’s efforts and cooperation in correcting this problem.”

Advisory loss costs are actuarial estimates of what insured losses and loss adjustment expenses are likely to be in the coming year. They are developed based on historical payroll information and used by insurance companies to develop the final premiums for employers. Both the department and NCCI provide insurance companies with advisory loss costs each year to assist companies in setting their final premium rates within Missouri’s competitive rating market.

## Director Finke announces his retirement

On Jan. 2, 2007, Director Dale Finke announced his retirement from the Department of Insurance, Financial Institutions and Professional Registration (DIFP).

“Dale Finke has led the Department of Insurance, Financial Institutions and Professional Registration with honor during a time of transition at the department,” Gov. Blunt said. “I appreciate Dale’s service to our state and wish him well in his retirement.”

During Finke’s tenure the governor consolidated the Department of Insurance with the Department of Economic Development’s Divisions of Finance, Credit Unions and Professional Registration creating the Department of Insurance, Financial Institutions and Professional Registration. The move has improved efficiency and cooperation among the related divisions and has facilitated enhanced customer service.

## Gov. Blunt appoints Doug Ommen as new department director

Gov. Matt Blunt announced the appointment of Doug Ommen as new department director on Jan. 2, 2007.

“I am pleased to name Doug Ommen as director of the

Department of Insurance, Financial Institutions and Professional Registration,” Blunt said. “Doug shares my commitment to improving customer service and making state government more efficient so we can save money for the taxpayers. His understanding of the department and experience serving as commissioner of securities will be invaluable as he begins his new role.”

Ommen brings a wealth of public administrative experience to the position. In 2005, Ommen was appointed as deputy director and general counsel of the department by Governor Blunt and served under former director Dale Finke. He was also appointed by Governor Blunt to be a member of the Missouri Personnel Advisory Board. Ommen served as Missouri’s Commissioner of Securities from 2001-2005 before beginning his service at the department. As a strong supporter of financial literacy, Ommen serves as a trustee for the Missouri Council for Economic Education.

“My experience and education have provided me with a thorough understanding of the government’s role in protecting consumers and regulating consumer service industries,” Ommen said. “I believe consumers receive the benefit of lower prices and better service in a fair and openly competitive market.”

Ommen began his legal career in 1985 and served for 14 years in the Consumer Protection Division of the Missouri Attorney General’s Office. As an assistant attorney general, Ommen prosecuted investment, real estate and insurance fraud cases. While serving as chief counsel of the Consumer Protection Division from 1994-2000, Ommen oversaw the work of attorneys responsible for the enforcement of both antifraud and antitrust laws.

Ommen graduated from Rockhurst University in Kansas City before receiving his law degree from Saint Louis University. Married for 25 years to his wife, Sharon, Ommen has two children. He resides in Jefferson City.

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# Administration

## W. Dale Finke, Director

The governor appoints the department director with the advice and consent of the Senate. The director enforces the laws and regulations of the state, sets policy, manages a staff of 524 full-time employees and oversees a fiscal 2007 budget of \$44.2 million.

The director's administrative staff includes the deputy director and general counsel, seven division directors, legislative coordinator and public information officer.

The administrative staff assists the director with policy decisions, regulation, legislation, communications and departmental operations.

## Douglas Ommen, Deputy Director & General Counsel

The director appoints a deputy director to assist in the administration and execution of Missouri laws.

The deputy director also serves as general counsel, providing legal advice to the director and supervising the department enforcement attorneys. The enforcement staff represents the Consumer Affairs Division in disciplinary matters before the director and the Missouri Administrative Hearing Commission and represents the director in circuit court in civil enforcement actions. Attorneys in the office of the general counsel conduct hearings on behalf of the director on regulatory matters brought by the Insurance Solvency and Company Regulation and Insurance Market Regulation Divisions on the acquisition or merger of insurance companies and on proposed regulations and licensing actions against insurance companies.

## Receiverships

The Receivership Section assists the director in supervising the rehabilitation and liquidation of insolvent insurance companies and the dissolution of solvent insurance companies that request dissolution. No Missouri domestic receiverships were adjudged insolvent in 2006. Currently, 14 companies remain in receivership.

The department director serves as the receiver of every domestic insurance company ordered into rehabilitation or liquidation by a Missouri court. A rehabilitation order empowers the director to act in place of the officers and directors of the company to restore the financial viability of the company. When that cannot be accomplished, the director applies for a liquidation order and begins the process of collecting all of the outstanding claims against the company and all of its assets. Once this is done, the assets are distributed to the claimants pursuant to a statutory priority structure.

# Consumer Affairs Division

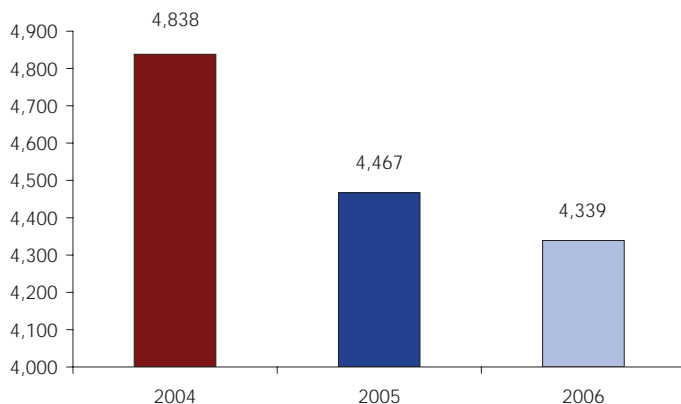
Mary Kempker, Director

- Helps the public resolve complaints, provides information on insurance policies and investigates insurance fraud
- Provides insurance education and outreach activities to Missouri consumers

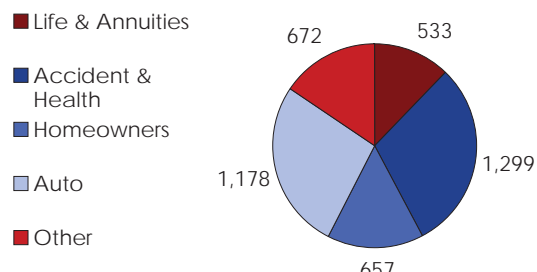
## Consumer Services

In disputed insurance claims, the Consumer Services Section acts as a liaison between the consumer and the insurance company. In 2006, consumer specialists opened 4,339 formal complaints against insurance companies and administrators. The department provides a nationwide toll-free number, 1-800-726-7390, to assist consumers and a TDD line for the hearing impaired, 573-526-4536. The section assisted 28,756 persons over the telephone last year.

Number of Complaints, 2004 - 2006



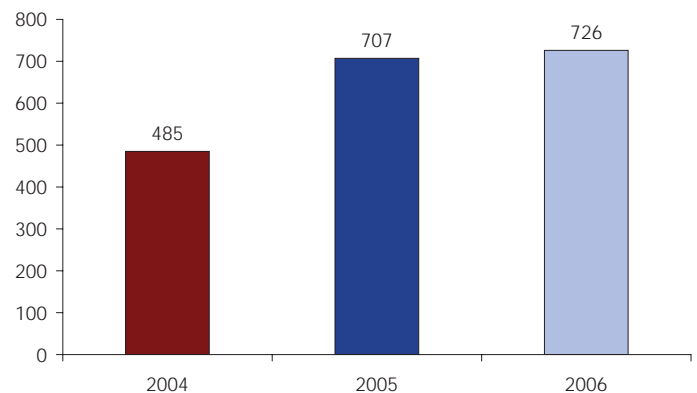
Complaints by Line of Insurance, 2006



## Investigations

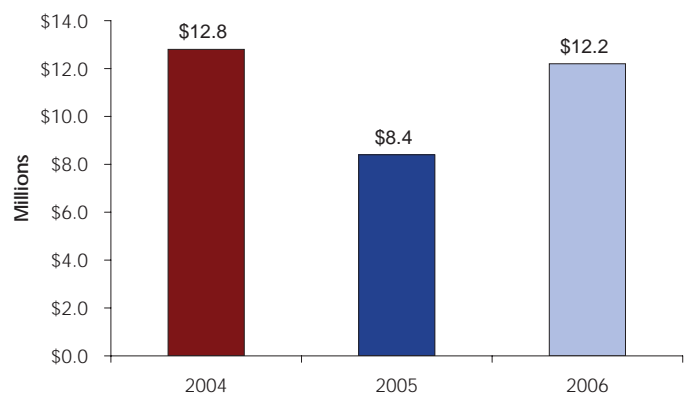
The Investigations Section handles complaints from consumers against insurance producers, bail bond agents and public adjusters. The staff also investigates unlicensed activity and reviews license applications. During 2006, the section conducted 726 investigations.

Number of Investigations, 2004 - 2006



The division recovered over \$12.2 million for Missourians from insurance companies and insurance producers who failed to meet their legal obligations to consumers.

Consumer Recoveries, 2004 - 2006



# Insurance Solvency & Company Regulation Division

**Kirk Schmidt, Director**

- Monitors and analyzes the financial condition, accounting practices and legal compliance of insurance companies licensed in the state through financial examinations
- Certifies and collects premium taxes due the state

## Financial Examination

In 2006, 70 financial examinations were completed. The section works with financial analysts to determine each company's examination priority; however, the department examines most of Missouri's 232 domestic insurance companies at least every four years except for Missouri's 104 county and farm mutuals which are examined every five years.

## Financial Analysis

The Financial Analysis Section monitors the solvency and legal compliance of all domestic and foreign insurance companies doing business in Missouri. The section also controls joint deposits returned by Missouri law as security for policyholders. The securities are in contracted bank accounts or safety deposit boxes. Security balances are verified through financial examinations. The department held \$258.7 million at the end of 2006.

## Surplus Lines

The Surplus Lines Section regulates the placement and collection of premium taxes on business written in the non-admitted market. The non-admitted market consists of unlicensed insurers that are eligible, based on financial criteria, to write coverage not available in the general commercial market.

### Surplus Lines Premium Tax Collection

| Tax Year | Fillings | Taxes Paid   |
|----------|----------|--------------|
| 2002     | 49,116   | \$19,502,564 |
| 2003     | 55,759   | \$23,635,909 |
| 2004     | 59,906   | \$24,482,704 |
| 2005     | 60,985   | \$22,090,543 |
| 2006     | 62,911   | \$23,803,826 |

## Admissions

The Admissions Section licenses insurance companies that conduct business in Missouri. At the end of 2006, the department licensed 1,825 insurance companies. The section receives four to six new admission applications each month. After financial and policy analysts review the financial health and proposed company forms, the section issues a certificate of authority to the company and tracks the company's history from its licensure to the present for Missouri policyholders.

### 2006 Company Changes

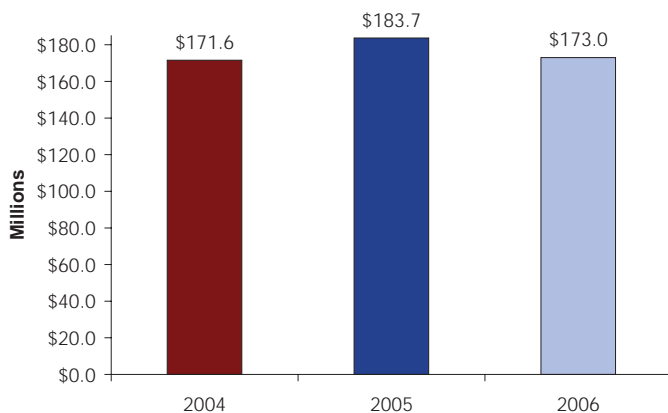
|   |    |
|---|----|
| New admitted companies                    | 32 |
| Redomestications                          | 38 |
| Mergers                                   | 37 |
| Name changes                              | 44 |
| Assumptions of business                   | 5  |
| Amendments to certificate of authority    | 13 |
| Suspended certificate of authority        | 5  |
| Revoked certificate of authority          | 0  |
| Withdrawn certificate of authority        | 11 |
| Suspended certificate of authority lifted | 2  |
| New admitted third party administrators   | 21 |



## Taxation

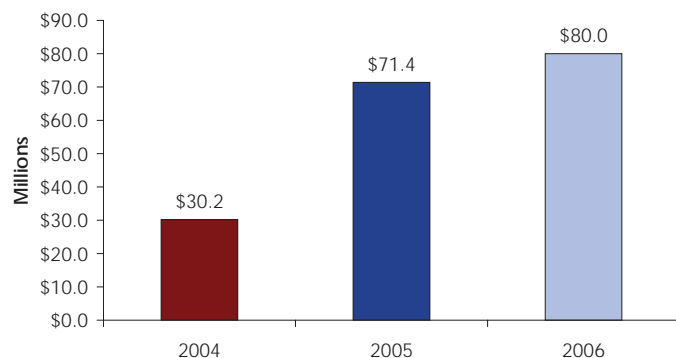
The Taxation Section performs desk audits and determines premium taxes, which insurance companies pay in lieu of income taxes. Annual tax returns are filed March 1 for the previous year's business. After auditing the returns, the department certifies to the Missouri Department of Revenue the tax due from each company. The Missouri premium tax rate is 2 percent.

Missouri premium tax collections, 2004 - 2006



Insurers may reduce their taxes, dollar for dollar, by claiming credits for examination fees, income taxes, franchise taxes, health pool assessments, personal property taxes, insurance guaranty association assessments and other spending ranging from historic preservation to low-income housing spending. The total credits allowed in 2006 were \$80 million.

Missouri Tax Credits, 2004 - 2006



## Certified Taxes for 2006

### Life Insurance Companies

|                      |                     |
|----------------------|---------------------|
| Missouri premium tax | 67,614,769          |
| Retaliatory tax      | 8,442,315           |
| <b>Total</b>         | <b>\$76,057,084</b> |

### Property and Casualty Insurance Companies

|                      |                      |
|----------------------|----------------------|
| Missouri premium tax | 102,099,239          |
| Retaliatory tax      | 17,237,855           |
| <b>Total</b>         | <b>\$119,337,094</b> |

### Missouri Mutual Insurance Companies

|                      |                  |
|----------------------|------------------|
| Missouri Premium Tax | <b>\$811,613</b> |
|----------------------|------------------|

### Risk Retention Group Companies

|                      |                  |
|----------------------|------------------|
| Missouri premium tax | 782,690          |
| Retaliatory tax      | 29,778           |
| <b>Total</b>         | <b>\$812,468</b> |

**Total premium tax** **\$197,018,259**

### Workers Compensation Premium Tax

|                     |                  |
|---------------------|------------------|
| Insurance companies | 405,107          |
| Self-Insured        | -                |
| <b>Total</b>        | <b>\$405,107</b> |

**Total Premium Tax & Worker's Compensation Tax** **\$197,423,366**

# Insurance Market Regulation Division

Linda Bohrer, Director

- Regulates the performance of insurance companies in the marketplace by reviewing policies, rates, products and marketing strategies
- Performs market conduct examinations to ensure equitable treatment of policyholders, determine legal compliance and monitor the insurance marketplace

## Market Conduct

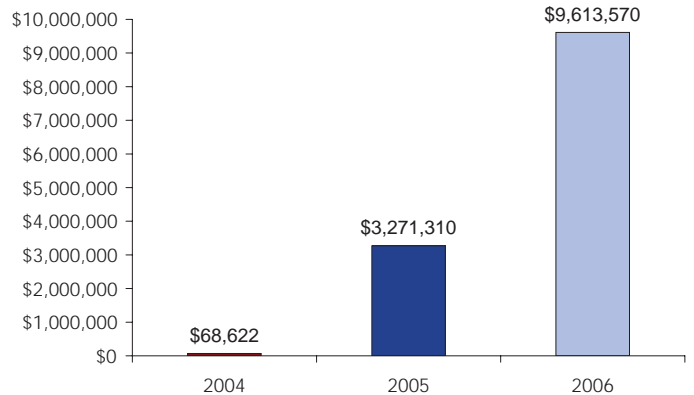
The Market Conduct Examination Section performs exams of insurance companies operating in the state to ensure equitable treatment of policyholders. The department director can call for a market conduct examination at any time. Market conduct examiners review insurers' operations, including marketing, claims handling, policies and rates. If violations of the laws are detected, the director may issue an order requiring future compliance. For some violations, the director may also require the insurance companies to pay restitution to Missouri citizens, either through re-adjudication of claims or re-evaluation of the premium charged for the policy and/or a fine or penalty.

The Market Conduct Section performs examinations of life, accident and health, property and casualty, title insurance companies, health maintenance organizations, health service corporations, third party administrators and statistical reporting agencies. These examinations review some or all of a company's:

- Licensing of insurance producers
- Marketing and advertising practices
- Company rates, rating policies and procedures
- Underwriting
- Policy forms
- Claims handling
- Complaint handling
- Unclaimed property

Market conduct examinations also ensure compliance with nationwide settlements, whether through the federal courts, federal agencies, another state's insurance department or mutual agreements.

Market Conduct Consumer Recoveries, 2004-2006



## Statistics

The Statistics Section is part of the department's market conduct operations, reflecting the integral role that in-office market analysis plays in targeting market conduct exams to those companies most likely to have engaged in improper practices affecting consumers. Statisticians assemble and use databases, publish reports on insurance markets in Missouri and monitor the availability and affordability of insurance coverage in Missouri. The following reports are prepared annually:

- Complaint Index Report
- Market Share Report
- Homeowners Insurance Report
- Private Passenger Automobile Report
- Medical Malpractice Report
- Real Estate Malpractice Report
- Legal Malpractice Report
- Product Liability Report
- Life, Accident & Health Supplement Data Report
- Mortgage Guaranty Insurance Report
- Property & Casualty Supplement Report

## Managed Care

The Managed Care Section oversees and analyzes the activities and trends of Missouri HMOs. Missouri had 23 licensed HMOs at the end of 2006. Of the 115 Missouri counties, 109 are part of a HMO service area that allows the HMO to sell coverage. The exceptions are Bollinger, Cape Girardeau, Mississippi, Scott, Shelby and Stoddard counties. The section publishes the HMO Annual Report which tracks activities such as pharmaceutical costs, enrollment demographics, utilization of basic services, per-member-per-month costs and managed care penetration in Missouri.

All HMOs must file annual network plans to ensure enrollees have timely access, within reasonable traveling distance, to health care providers that they must use. In 2006, the section reviewed 25 networks and all were in compliance with state standards. Comprehensive information on Missouri HMOs is available at [www.insurance.mo.gov/reports/hmo/index.htm](http://www.insurance.mo.gov/reports/hmo/index.htm).

The section approves registration applications of utilization review agents who evaluate the appropriateness and necessity of services. The section also processes renewal applications for the 122 active utilization review agents in Missouri.

## Life & Health

The Life & Health Section pre-approves all life and health policy forms that insurers use in the state. This prior-approval requirement extends to all group or individual insurance policies or annuity contracts issued by an insurer, health service corporation, fraternal benefit society, prepaid dental plan or HMO.

Missouri does not require filing or prior approval of life and health insurance rates, but long-term care and Medicare supplement rates must be filed with the department. The section reviews long-term care insurance policies to verify that rates are established in accordance with actuarially sound principles and that rates are determined in accordance with long-term care regulations. Medicare supplement rates are approved by the section. Federal and state laws require Medicare Supplement policies return benefits equal to at least 65 percent of the premium collected during the lifetime of the policy.

Credit insurance rates are reviewed only if insurer's propose rates exceed those in law or use rating methods different from the legal standards. The section monitors these deviations to maintain compliance with legal loss standards.

The section also assures that insurers offering health insurance coverage to Missouri's small businesses comply with the Small Employer Health Insurance Availability Act and the federal Health Insurance Portability and Accountability Act (HIPAA). Missourians benefit from whichever provisions of state or federal laws are more favorable.

### Number of Licensed Life & Health Insurers by Type, 2006

|                             |     |
|-----------------------------|-----|
| Fraternal Benefit           | 32  |
| Health Service Corporations | 1   |
| Life & Health               | 536 |
| Prepaid Dental Plan         | 12  |

## Property & Casualty

The Property & Casualty Section reviews forms, endorsements, rules and premium rates for auto, homeowners, workers' compensation, medical malpractice, other personal property lines and commercial property and liability coverage.

Missouri has a use-and-file rate regulatory system, which promotes market competition. For the most part, Missouri does not approve rates. For most lines, companies are required to file the rates they are using within 10 days after their use. Workers' compensation insurers must file rates within at least 30 days.

With its use-and-file rate regulation, the department monitors rates by reviewing premium volume, market share, loss and experience, investment income, profitability, inflation trends, historical data and other criteria. Property & Casualty insurers are required to file their underwriting guidelines, which gives the department an opportunity to monitor how an insurer treats the insurance-buying public.

This section also has oversight of rating and statistical organizations and joint underwriting associations, such as state pools established to provide coverage for

those who cannot obtain insurance in the commercial markets. The pools include: automobile insurance through the Missouri Joint Underwriting Association, dwelling insurance through the Missouri Property Insurance Placement Facility (FAIR Plan), the Workers Compensation Assigned Risk Pool and the Medical Malpractice Joint Underwriting Association.

#### **Number of Licensed Property & Casualty Insurers by Type, 2006**

|                                     |     |
|-------------------------------------|-----|
| Foreign Fire                        | 6   |
| Malpractice (383 RSMo)              | 4   |
| Farm Mutual                         | 7   |
| Missouri Mutual                     | 96  |
| Mutual Casualty                     | 48  |
| Mutual Fire                         | 26  |
| Reciprocal Inter-Insurance Exchange | 15  |
| Stock Casualty                      | 696 |
| Stock Fire                          | 87  |
| Title                               | 24  |

#### **Workers' Compensation**

The regulatory environment for most workers' compensation insurance rates in Missouri changed on January 1, 1994, when the state made a transition from an administered rate system (where the department sets the rates charged by insurance companies), to a competitive rating system (where the insurance companies within the voluntary market set their own final premium rates). Under this competitive rating system, each year, both the department and the National Council on Compensation Insurance, Inc. (NCCI) develop loss costs for insurance companies to use in establishing final workers' compensation premium rates.

Overall, data for the Missouri workers' compensation market indicate that losses have remained relatively stable since 1991. Immediately following the market reforms of 1994, premium rates steadily declined throughout the mid-to-late 1990s, stabilizing around the year 2000. Workers' compensation rates rose again in 2002 and 2003, due in part to an overall Missouri trend in the insurance market, following the tragic events of 9/11. Currently, Missouri businesses should

be pleased that overall rates appear to be stable and should be decreasing.

Recent legislative changes may bring more rate decreases and loss reductions. In 2005, the Missouri Legislature enacted Senate Bills 1 & 130. This piece of legislation encompassed substantial revisions to the Workers' Compensation Act. By tightening the definition of "injury" and "accident" and increasing penalties for fraudulent behaviors, it is anticipated that both losses and premiums should continue to decrease.

#### **Medical Malpractice**

As of August 28, 2006 the statutes set forth by HB 1837 are in effect. This bill requires associations offering medical malpractice insurance to their members to comply with reporting, notification, and rating requirements in the same manner as traditional insurance companies. This bill emphasizes the regulation of medical malpractice rates by prohibiting excessive, inadequate or unfairly discriminatory rates, and places some restrictions on schedule rating. It also creates the Health Care Stabilization Fund Feasibility Board which will research the possible need for a health care stabilization fund.

The bill also formalizes administrative enforcement procedures and increases the enforcement capabilities of the director, allowing for fines up to \$100,000, prison time, and the suspension or revocation of licenses for those who ignore these orders.

Supporters of these reforms believe that these changes will help insurers to more accurately price the coverage and stabilize the medical malpractice insurance market in Missouri, encourage more health care professionals to practice in our state and improve access to health care for Missouri's consumers.

# Division of Finance

Eric McClure, Director

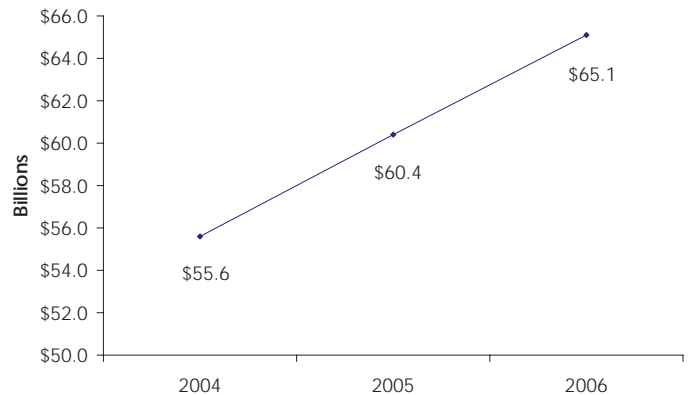
- Executes laws relating to banks, trust companies, savings and loans, consumer credit companies, credit services organizations and money order companies in Missouri
- Ensures the safety and soundness of financial institutions for Missouri consumers through financial examinations

## Banks & Trust Companies

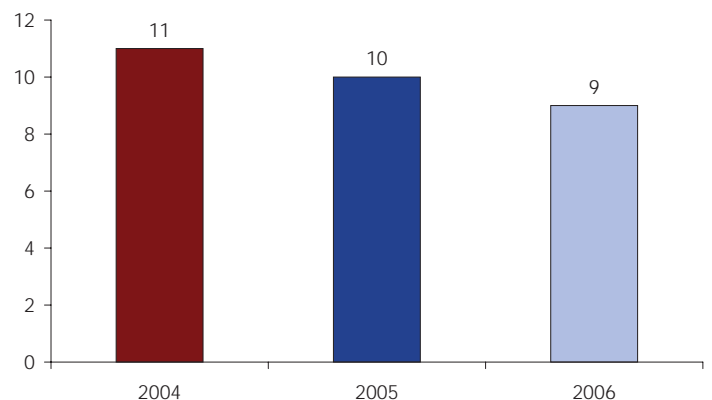
The Bank and Trust Examinations Section regulates state-chartered banks and trust companies. The section is required to perform examinations of all state-chartered institutions at least once every 18 months for institutions rated satisfactory. Institutions rated less than satisfactory are examined at least once every 12 months.

On-site examinations are conducted on commercial bank activities, trust operations, and computer systems to evaluate the institution's risk profile and management practices. In addition, the section regularly conducts off-site statistical and financial reviews of each institution in order to identify emerging signs of elevated risk. Where abnormal risk concerns are noted, examiners visit the bank to develop a proactive resolution of developing problems. Banks and trust companies with significant weaknesses receive close regulatory attention including the possibility of enforcement action designed to address and correct problem areas. The section may also take action to merge, close or otherwise address institutions with severe financial difficulties.

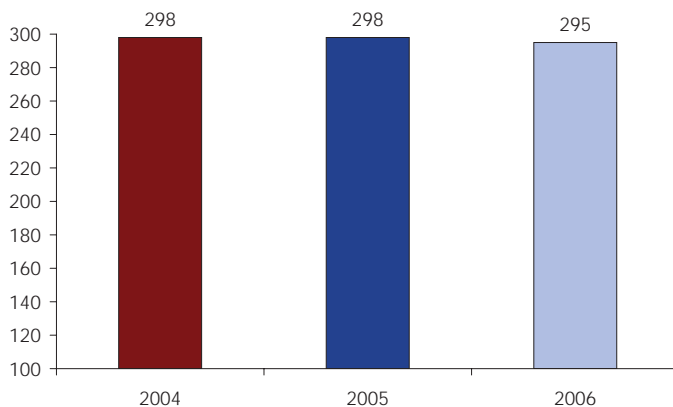
Total Assets of State-Chartered Banks, 2004 - 2006



Number of Trust Companies, 2004 - 2006



Number of State-Chartered Banks, 2004 - 2006



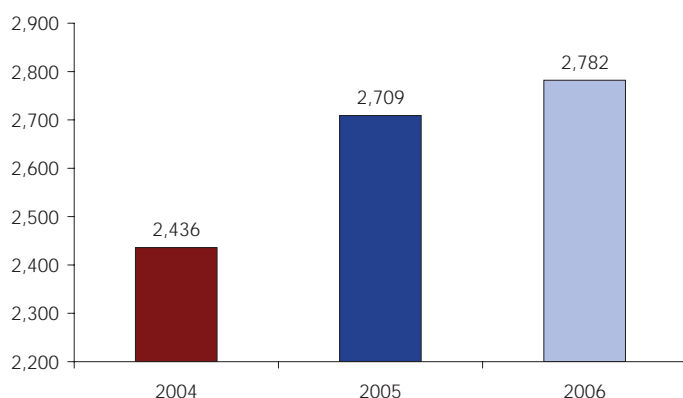


## Consumer Credit Companies

The Consumer Credit Section is responsible for executing laws related to consumer transactions under several state and federal statutes. In addition, the unit examines Missouri's state-chartered banks and thrifts for compliance. The section also handles complaints and inquiries concerning entities which must comply with consumer protection laws.

The companies licensed and examined by this section include retail credit institutions, motor vehicle time sales creditors, consumer credit lenders, consumer installment lenders, payday lenders, title loan lenders, premium finance companies, credit repair companies, and companies which issue money orders, traveler's checks or transmit funds electronically. The section enforces the anti-redlining laws relative to all state-chartered banks, savings and loan associations, licensed financial institutions and mortgage brokers. These laws prohibit discrimination in making loans secured by residential real estate because of location of the property, race, age, sex, marital status, religion or national origin of the borrower.

Number of Consumer Credit Companies, 2004-2006

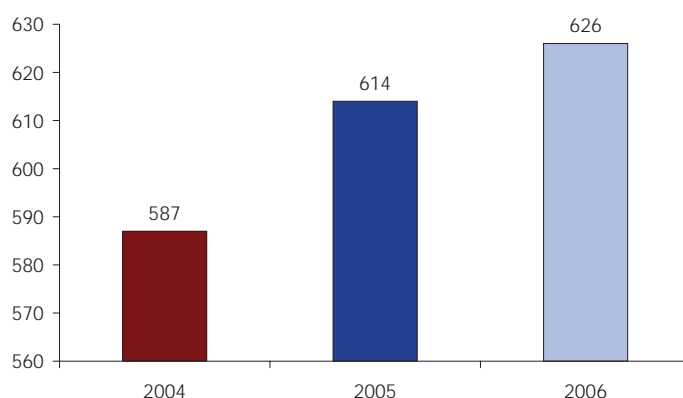


## Mortgage Brokers & Savings & Loan Associations

### Mortgage Brokers

This section is responsible for enforcing the laws that regulate residential mortgage brokers. Supervision includes licensing and investigative powers. A license is required to broker residential real estate mortgages unless the individual or company qualifies for an exemption through federal regulation. Before issuing a license, the division is required to investigate each applicant for character, general fitness, experience and financial responsibility.

Licensed Mortgage Brokers, 2004 - 2006



### Savings & Loan Associations

This section supervises six state-chartered savings and loan companies. Supervision includes periodic examinations to determine safety of operations and compliance with applicable laws. Federally chartered savings institutions are regulated by the Office of Thrift Supervision, and can be identified by "federal", "F.S.B.", or "federal savings bank" appearing in their titles.

# Division of Credit Unions

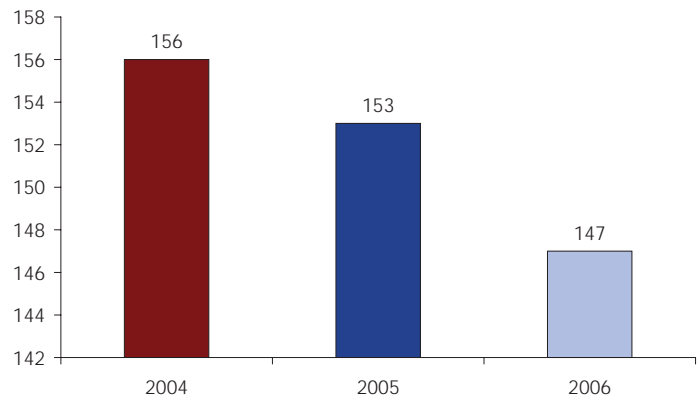
Sandy Branson, Director

- Oversees the examination, supervision, chartering, merger and liquidation of credit unions
- Responds to consumer complaints about credit union services and operations

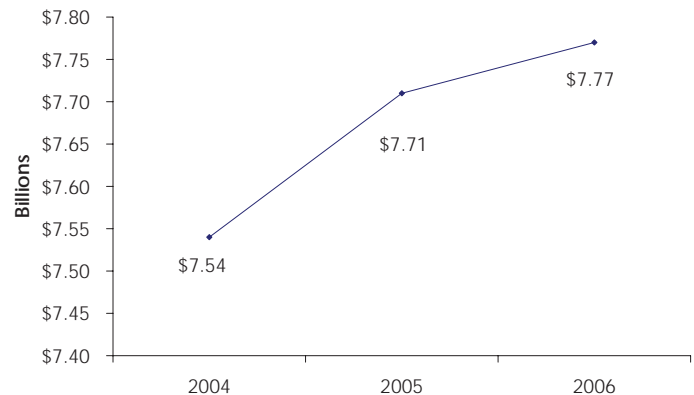
The Division of Credit Unions regulates all state-chartered credit unions. The division is an accredited agency through the National Association of State Credit Union Supervisors. All member deposits are insured by the National Credit Union Administration, an agency of the federal government.

As of December 31, 2006, Missouri ranked eighth in the nation in the number of state-chartered credit unions. The Division of Credit Unions currently regulates 147 credit unions with assets exceeding \$7.7 billion. Approximately 1.2 million people are members of Missouri credit unions.

Number of Credit Unions, 2004-2006



Credit Union Assets, 2004 - 2006



# Division of Professional Registration

David Broeker, Director

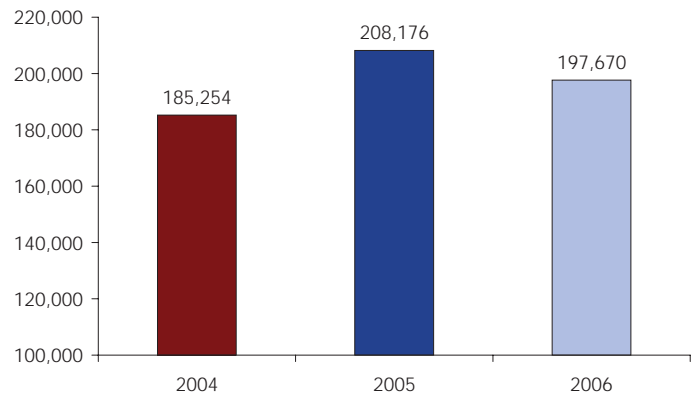
- Licenses qualified professionals, appropriately enforcing standards and maintaining an open communication network among over 400,000 professional Missourians
- Supports 38 professional licensing boards that process applications, administer examinations and conduct investigations into possible professional misconduct

The division exists to serve and protect the public by providing an accessible, responsible and accountable system for the various trades and professions it regulates.

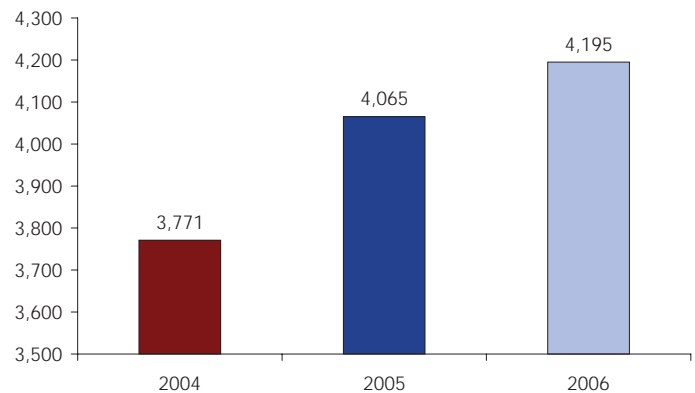
Several of the boards offer free educational seminars related to ethics, supervision requirements and continuing education to licensees. This education assists licensees in understanding the regulations for their profession, provides opportunities for face-to-face communication with the board and helps to reduce the number of complaints the boards receive from consumers.

Over the past few years, the division has combined and shared several staff positions and resources allowing several boards to reduce licensing fees. The division benefits from several other cost-savings measures including the negotiation of contracts for lodging costs for out-of-town board meetings, legal and investigations services and drug testing and examination services. Other cost-savings come from the use of various electronic systems. Electronic communication with board members saves printing, copying and postage costs and online licensing renewal systems provide better customer service and reduce staff time spent on this process.

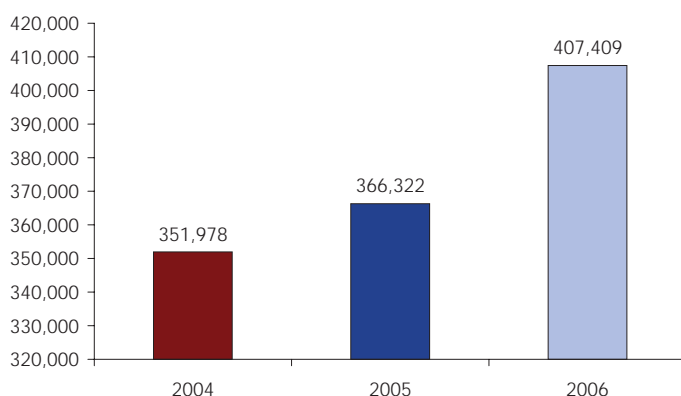
Number of License Renewals Processed, 2004-2006



Number of Complaints, 2004-2006

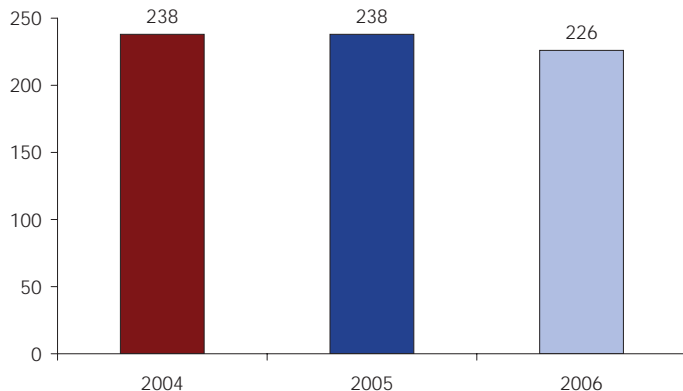


Number of Licensed Professionals, 2004-2006



Most board members are nominated by the director of the Division of Professional Registration and appointed by the Governor with the consent of the Senate for terms established by the statutes governing each board.

Number of Board Members, 2004-2006



## Boards & Commissions

Board of Accountancy  
 Acupuncturist Advisory Committee  
 Board for Architects, Professional Engineers,  
 Professional Land Surveyors & Landscape Architects  
 Office of Athletics  
 Office of Athlete Agents  
 Board of Cosmetology & Barber Examiners  
 Board of Chiropractic Examiners  
 Committee for Professional Counselors  
 Dental Board  
 Advisory Commission for Dental Hygienists  
 Committee of Dietitians  
 Board of Embalmers and Funeral Directors  
 Endowed Care Cemetery Advisory Committee  
 Board of Geologist Registration  
 Board of Registration for the Healing Arts  
 Advisory Committee for Physical Therapists  
 Athletic Trainers Advisory Committee  
 Advisory Commission for Speech Language  
 Pathologists & Clinical Audiologists  
 Advisory Commission for Physician Assistants  
 Advisory Commission for Clinical Perfusionists  
 Advisory Commission for Anesthesiologist Assistants

Board of Examiners for Hearing  
 Instrument Specialists  
 Interior Design Council  
 Committee of Interpreters  
 Committee of Marital & Family Therapists  
 Board of Therapeutic Massage  
 Board of Nursing  
 Board of Occupational Therapy  
 Board of Optometry  
 Board of Pharmacy  
 Board of Podiatric Medicine  
 Committee of Psychologists  
 Real Estate Commission  
 Real Estate Appraisers Commission  
 Board for Respiratory Care  
 Committee for Social Workers  
 Office of Tattooing, Body Piercing & Branding

# Resource Administration Division

Rochelle Hendrickson, Director

- Conducts department-wide administrative support functions including accounting, human resources, budget and information systems coordination
- Licenses insurance producers, public adjusters, bail bond agents and surplus lines brokers

## Human Resources

The Human Resources Section administers employee pay and benefits, develops and implements employee policies and procedures, recruits applicants and trains employees.

Although the department is not a state merit-system agency, department employees have titles and salaries based on a statewide classification and pay system under which job classifications are assigned to pay grids.

## Budget

The fiscal year 2007 appropriation for the department was \$44.2 million with 524 employees. The entire department receives no general revenue support and is funded through fees and assessments to the various industries the department regulates.

### FY 2007 Total Appropriation (Millions)

|                                       |        |
|---------------------------------------|--------|
| Insurance Divisions                   | \$13.7 |
| Division of Finance                   | \$6.8  |
| Division of Credit Unions             | \$1.2  |
| Division of Professional Registration | \$22.5 |
| Total Appropriation                   | \$44.2 |

## Support Services

The Support Services Section administers the receipt and expenditures of state insurance funds along with support functions, including accounts payable, accounts receivable, procurement, mailroom and storeroom, inventory and the department fleet.

## Producer Licensing

The Producer Licensing Section reviews and processes applications from individuals and agencies seeking licensure to transact insurance business in Missouri.

With the implementation of electronic producer application and renewal through the National Insurance Producer Registry (NIPR), insurance producers now have the option to apply and renew online and skip the hassle of paper applications. Currently, Missouri is one of only a handful of states nationwide to accept electronic applications and renewals for both resident and nonresident licenses. The department is hopeful that all licenses and renewals will be filed electronically in the near future. Insurance licenses are issued on a biennial basis with approximately half renewing in any given year.

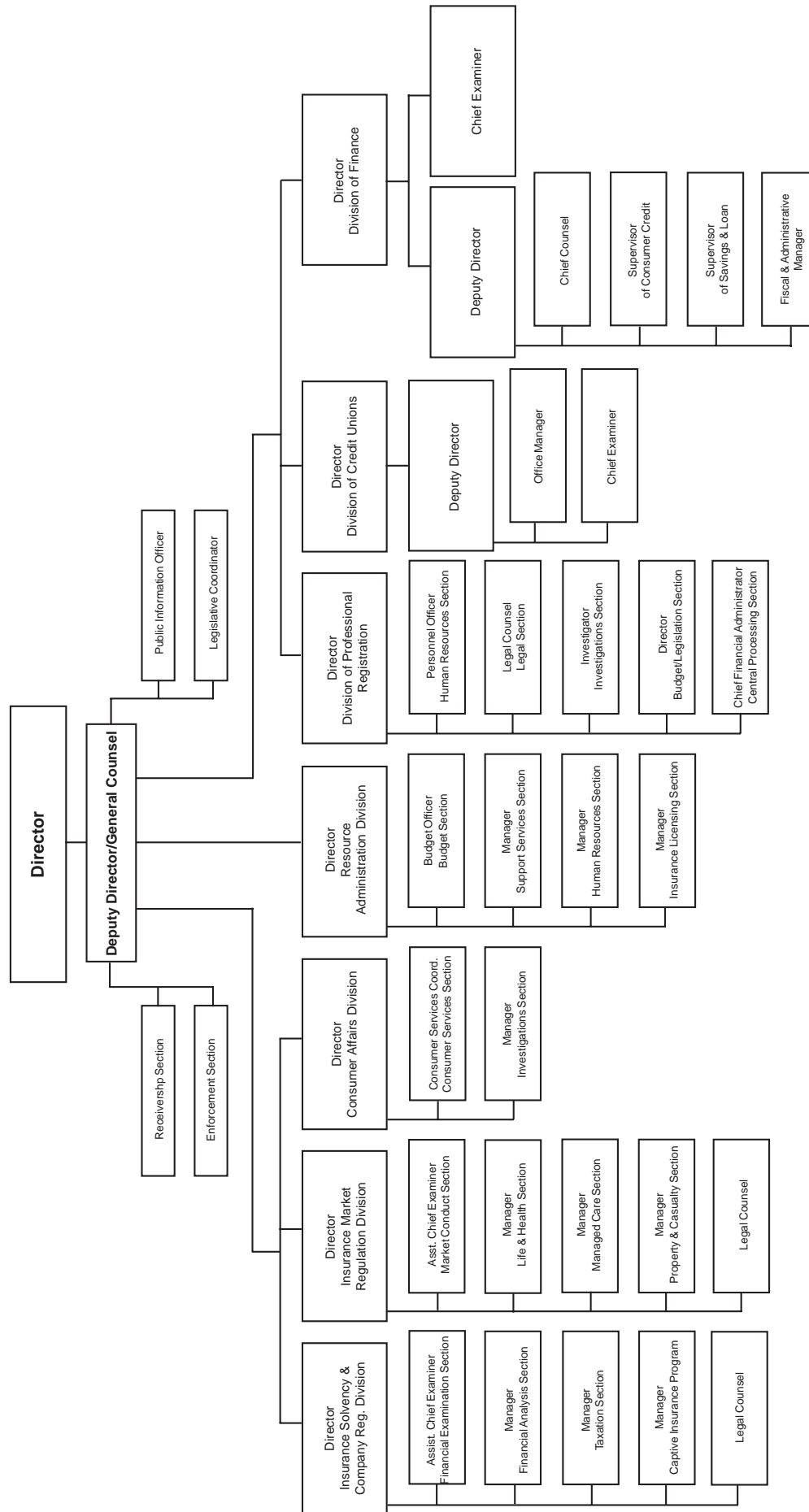
Missouri's use of the NAIC Producer Database (PDB) allows the department to grant licensure to insurance producers based upon their licensure in their home state. This reciprocal process makes the licensing process in this state quicker and more economical for insurance producers and companies.

### Total Number of Licenses, 2006

|                            |         |
|----------------------------|---------|
| Producers                  | 102,585 |
| Business entity producers  | 12,173  |
| Surplus line producers     | 800     |
| Public adjusters           | 42      |
| General bail bond agents   | 122     |
| Bail bond agents           | 835     |
| Surety recovery agents     | 18      |
| Public adjuster solicitors | 5       |



# Department Organizational Structure



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# Department Contact Information

## Consumer Affairs Division

301 W. High St.  
Truman Office Building, Room 540  
P.O. Box 690  
Jefferson City, MO 65102-0690  
573-751-2640  
[www.insurance.mo.gov](http://www.insurance.mo.gov)

Consumer Toll Free Number  
1-800-726-7390

Telecommunications Device for the Deaf  
573-526-4536

## Insurance Solvency & Company Regulation Insurance Market Regulation or Resource Administration

301 W. High St.  
Truman Office Building, Room 530  
P.O. Box 690  
Jefferson City, MO 65102-0690  
573-751-4126  
[www.insurance.mo.gov](http://www.insurance.mo.gov)

## Division of Credit Unions

301 West High St., Room 720  
P.O. Box 1607  
Jefferson City, MO 65102  
573-751-3419  
[www.cu.mo.gov](http://www.cu.mo.gov)

## Division of Finance

301 West High St., Room 630  
P.O. Box 716  
Jefferson City, MO 65102  
573-751-3242  
[www.missouri-finance.org](http://www.missouri-finance.org)

## Division of Professional Registration

3605 Missouri Boulevard  
P.O. Box 1335  
Jefferson City, Missouri 65102  
573-751-0293  
[www.pr.mo.gov](http://www.pr.mo.gov)

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